

"establish and maintain a written system for controlling" use of Government property, the GAO says. The department also has "indicated" to the GAO that there will be surveys of contractor bookkeeping "to ensure the effectiveness of such a system."

The department further says it intends to meet with officials of the Office of Emergency Planning to more clearly define "25% non-Government use."

While the Pentagon plans to study further the machine-by-machine recommendation, it argues that to maintain such records for "commingled Government and contractor-owned plant equipment on a contract-by-contract basis is impractical because it would be very time consuming, disrupt the contractor's production planning process and result in the addition of costly administrative burden for both Government and industry."

The GAO, however, disagrees. Some contractors, it says, already keep such records, and others are installing electronic data-collection equipment that can do the job. While the Government would share the expense of these company investments in final prices to the Pentagon, the GAO says, it "doesn't seem unreasonable" to require contractors to keep books distinguishing between Government and commercial use.

The GAO says one contractor that already breaks down its usage figures by machine told the agency that it cost the company \$7,400 a year to do this on 880 pieces of equipment. With the help of this company's figures, the GAO estimates that a similar machine-by-machine computing of "the rent at this contractor would increase the contractor's annual rent payment by about \$582,600."

It "seems reasonable to expect that, if the Government provides (equipment) to contractors, the contractors should furnish the Government data as to how they are using it," the agency contends.

Such data, it suggests, wouldn't only help the military reduce unauthorized commercial use of its equipment, but also would aid in curbing other cases it found where companies had received permission to use Government property for commercial work while the same equipment was needed for defense jobs elsewhere.

Chairman PROXMIRE. Mr. Epstein's article is reporting in detail on this subject, which concerns us very much, and we will certainly have some questions on the points raised by that story.

At this point, without objection, I will include the announcement of these hearings and schedule of witnesses. I will also insert relevant correspondence in the record regarding GAO's appearance here today.

(The material above-referred to follows:)

CONGRESS OF THE UNITED STATES—SUBCOMMITTEE ON ECONOMY IN GOVERNMENT
OF THE JOINT ECONOMIC COMMITTEE

The Subcommittee on Economy in Government of the Joint Economic Committee will start hearings November 27th on Pentagon procurement practices to determine what steps are being taken to tighten up buying policies which have resulted in large overcharges to the Government.

Senator William Proxmire (D-Wis.), Chairman of the Subcommittee, and Congressman Thomas R. Curtis (R-Mo.), ranking minority member, jointly announced the planned four-day probe. Proxmire is also Chairman of the full Joint Economic Committee.

Senator Proxmire, in a statement from his Washington office, said:

"The Defense Department's buying practices have been subjected in recent months to a withering—and quite justifiable—barrage of criticism from Members of Congress.

"During hearings last spring, the Economy in Government Subcommittee uncovered a disturbing record of loose management by the Pentagon of the billions of dollars of noncompetitive negotiated contracts to which it commits the taxpayer annually. We want to see if there has been a genuine improvement in the situation in the 7 months since we last looked at it.

"We found last spring that the Pentagon was virtually ignoring the Truth-in-Negotiations Act of 1962 (PL 87-653), which is the taxpayer's only insurance against blatant overcharges in noncompetitive purchases. Negotiated contracts, as opposed to competitive-bid contracts, account this year for some 85 percent of the \$46 billion in Defense procurement.